

**REPORT OF THE AUDIT OF THE  
LESLIE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LESLIE COUNTY FISCAL COURT**

**June 30, 2009**

The Auditor of Public Accounts has completed the audit of the Leslie County Fiscal Court for fiscal year ended June 30, 2009.

We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information financial statements of Leslie County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$16,773,881 as of June 30, 2009, with unrestricted net assets of \$8,591,035 in its governmental activities. As of June 30, 2009, the fiscal court had total debt principal of \$6,965,000 with \$135,000 due within the next year.

#### **Deposits:**

As of June 30, 2009, the county's deposits were fully secured and collateralized by FDIC insurance or a properly executed collateral security agreement.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
LESLIE COUNTY OFFICIALS .....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS .....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	23
STATEMENT OF FIDUCIARY FUND NET ASSETS – MODIFIED CASH BASIS .....	27
NOTES TO FINANCIAL STATEMENTS.....	29
BUDGETARY COMPARISON SCHEDULES .....	45
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION .....	50
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	53
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	57
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	61
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Jimmy Sizemore, Leslie County Judge/Executive  
Members of the Leslie County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Leslie County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Leslie County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Jimmy Sizemore, Leslie County Judge/Executive  
Members of the Leslie County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leslie County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2010 on our consideration of Leslie County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

August 16, 2010



LESLIE COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

Jimmy Sizemore	County Judge/Executive
Kenneth F. Smith	Magistrate
Billy Ray Coots	Magistrate
Bill Valentine	Magistrate
Johnny Ray Caldwell	Magistrate

**Other Elected Officials:**

Phillip Lewis	County Attorney
Eugene Roberts	Jailer
James Lewis	County Clerk
Carmoletta Morgan Pace	Circuit Court Clerk
Paul Howard	Sheriff
James Wooten	Property Valuation Administrator
Greg Walker	Coroner

**Appointed Personnel:**

Mack Muncy	County Treasurer
Nancy Roberts	Finance Officer
Serena Asher	Occupational Tax Administrator

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**LESLIE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**LESLIE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<u><b>Primary Government</b></u>
	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 9,112,290
Total Current Assets	<u>9,112,290</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	460,103
Buildings	11,128,357
Other Equipment	764,461
Vehicles and Equipment	364,620
Infrastructure	1,909,050
Total Noncurrent Assets	<u>14,626,591</u>
Total Assets	<u>23,738,881</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Bonds Payable	125,000
Financing Obligations Payable	10,000
Total Current Liabilities	<u>135,000</u>
Noncurrent Liabilities:	
Bonds Payable	6,375,000
Financing Obligations Payable	455,000
Total Noncurrent Liabilities	<u>6,830,000</u>
Total Liabilities	<u>6,965,000</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	7,661,591
Restricted For:	
Debt Service	521,255
Unrestricted	8,591,035
Total Net Assets	<u>\$ 16,773,881</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**LESLIE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,151,515	\$ 156,160	\$ 2,575,340	\$
Protection to Persons and Property	930,764	12,670	480,199	179,672
General Health and Sanitation	395,926		157,576	
Social Services	732,277		561,990	31,000
Recreation and Culture	168,027		70,000	55,822
Roads	933,771	235,751	2,890,140	
Interest on Long Term Debt	329,821			
Capital Projects	956,086			1,536,662
Total Primary Government	\$ 6,598,187	\$ 404,581	\$ 6,735,245	\$ 1,803,156

**General Revenues:**

Taxes:

Real Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Other Taxes

In Lieu Tax Payments

Excess Fees

License and Permits

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated - Note 7)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**LESLIE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

**Net (Expenses) Revenues**  
**and Changes in Net Assets**

**Primary Government**

**Governmental**  
**Activities**

\$	579,985
	(258,223)
	(238,350)
	(139,287)
	(42,205)
	2,192,120
	(329,821)
	<u>580,576</u>
	<u>2,344,795</u>

	197,576
	90,434
	891,585
	670,063
	291,606
	101,765
	102,345
	87,322
	<u>41,609</u>

	<u>2,474,305</u>
	4,819,100
	<u>11,954,781</u>

\$	<u><u>16,773,881</u></u>
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The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**LESLIE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Local Government Economic Development Fund</b>	<b>Flood Relief Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 824,344	\$ 918,396	\$ 555,430	\$ 3,011,927	\$ 1,613,590
Interfund Receivable			92,710		
Total Assets	<u>824,344</u>	<u>918,396</u>	<u>648,140</u>	<u>3,011,927</u>	<u>1,613,590</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Interfund Payable	<u>92,710</u>				
Total Liabilities	<u>92,710</u>				
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	18,519	52,177	31,908	77,748	
Unreserved:					
General Fund	713,115				
Debt Service Fund					
Special Revenue Funds		866,219	616,232	2,934,179	1,613,590
Total Fund Balances	<u>731,634</u>	<u>918,396</u>	<u>648,140</u>	<u>3,011,927</u>	<u>1,613,590</u>
Total Liabilities and Fund Balances	<u>\$ 824,344</u>	<u>\$ 918,396</u>	<u>\$ 648,140</u>	<u>\$ 3,011,927</u>	<u>\$ 1,613,590</u>

The accompanying notes are an integral part of the financial statements.

## LESLIE COUNTY

## BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

(Continued)

<b>Debt Service Fund</b>	<b>Detention Facility Project Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 468,513	\$ 521,255	\$ 1,198,835	\$ 9,112,290
			92,710
<u>468,513</u>	<u>521,255</u>	<u>1,198,835</u>	<u>9,205,000</u>
			92,710
			92,710
		33,169	213,521
			713,115
468,513	521,255		989,768
		1,165,666	7,195,886
<u>468,513</u>	<u>521,255</u>	<u>1,198,835</u>	<u>9,112,290</u>
<u>\$ 468,513</u>	<u>\$ 521,255</u>	<u>\$ 1,198,835</u>	<u>\$ 9,205,000</u>

**Reconciliation of the Balance Sheet - Governmental Funds To The Statement Of Net Assets**

Total Fund Balances	\$ 9,112,290
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	17,333,224
Accumulated Depreciation	(2,706,633)
Long-Term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(465,000)
Bonds	<u>(6,500,000)</u>
Net Assets Of Governmental Activities	<u>\$16,773,881</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**LESLIE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Local Government Economic Development Fund</b>	<b>Flood Relief Fund</b>
<b>REVENUES</b>					
Taxes	\$ 817,416	\$	\$	\$	\$
In Lieu Tax Payments	109,627	181,979			
Excess Fees	101,765				
License and Permits	102,345				
Intergovernmental	181,615	1,225,855	2,030,781	5,273,799	
Charges for Services	7,001				
Miscellaneous	83,949	2,912	461		
Interest	2,843	3,304	1,598	5,589	7,850
Total Revenues	<u>1,406,561</u>	<u>1,414,050</u>	<u>2,032,840</u>	<u>5,279,388</u>	<u>7,850</u>
<b>EXPENDITURES</b>					
General Government	631,759		18,937		
Protection to Persons and Property	6,449		139,533	171,166	
General Health and Sanitation			97,942	281,996	
Social Services			562,714		
Recreation and Culture	10,248		139,709		
Roads		819,024	224,208		
Debt Service					
Capital Projects				1,048,460	
Administration	572,241	264,552	506,327		
Total Expenditures	<u>1,220,697</u>	<u>1,083,576</u>	<u>1,689,370</u>	<u>1,501,622</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>185,864</u>	<u>330,474</u>	<u>343,470</u>	<u>3,777,766</u>	<u>7,850</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	159,186	398,534	766,075	8	
Transfers To Other Funds	(195,186)	(8)	(611,859)	(1,823,275)	(29,475)
Total Other Financing Sources (Uses)	<u>(36,000)</u>	<u>398,526</u>	<u>154,216</u>	<u>(1,823,267)</u>	<u>(29,475)</u>
Net Changes in Fund Balance	149,864	729,000	497,686	1,954,499	(21,625)
Fund Balances - Beginning (Restated)	<u>581,770</u>	<u>189,396</u>	<u>150,454</u>	<u>1,057,428</u>	<u>1,635,215</u>
Fund Balances - Ending	<u>\$ 731,634</u>	<u>\$ 918,396</u>	<u>\$ 648,140</u>	<u>\$ 3,011,927</u>	<u>\$ 1,613,590</u>

The accompanying notes are an integral part of the financial statements.



## LESLIE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

(Continued)

<b>Debt Service Fund</b>	<b>Detention Facility Project Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 891,585	\$	\$ 140,657	\$ 1,849,658
			291,606
			101,765
			102,345
		223,931	8,935,981
			7,001
			87,322
1,906	15,964	2,555	41,609
893,491	15,964	367,143	11,417,287
37,759		18,676	707,131
		627,953	945,101
15,988			395,926
		107,539	670,253
			149,957
			1,043,232
29,041	425,780		454,821
			1,048,460
15,133		96,019	1,454,272
97,921	425,780	850,187	6,869,153
795,570	(409,816)	(483,044)	4,548,134
100,000	393,166	1,476,000	3,292,969
(633,166)			(3,292,969)
(533,166)	393,166	1,476,000	
262,404	(16,650)	992,956	4,548,134
206,109	537,905	205,879	4,564,156
\$ 468,513	\$ 521,255	\$ 1,198,835	\$ 9,112,290

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**LESLIE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change In Fund Balances - Total Governmental Funds	\$ 4,548,134
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	626,849
Depreciation Expense	(480,883)
The Issuance Of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds, While Debt Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets And Have Been Eliminated On The Statement Of Activities.	
Bond Principal Payments	115,000
Financing Obligation Principal Payments	<u>10,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 4,819,100</u></u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**





**LESLIE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2009**

	<u>Agency Fund</u> Health Reimbursement Account <u>                    </u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ <u>147,999</u>
Total Assets	<u>147,999</u>
<b>LIABILITIES</b>	
Amounts Held In Custody For Others	<u>147,999</u>
Total Liabilities	<u>147,999</u>
<b>NET ASSETS</b>	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	29
NOTE 2.	DEPOSITS .....	35
NOTE 3.	CAPITAL ASSETS.....	36
NOTE 4.	LONG-TERM DEBT .....	37
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM .....	39
NOTE 6.	INSURANCE .....	40
NOTE 7.	PRIOR PERIOD ADJUSTMENTS.....	40
NOTE 8.	INTERFUND RECEIVABLE AND PAYABLE.....	40
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT .....	40
NOTE 10.	DEFERRED COMPENSATION.....	41

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with the exception of depreciation expense, which is recognized on the statement of activities. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and State of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Fund as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Leslie County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provided its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Leslie County Public Properties Corporation - Detention Facility Project Fund

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

The Leslie County Fiscal Court (Fiscal Court) established the Leslie County Public Properties Corporation (Corporation) as a separate entity for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Leslie County. The Corporation's governing body consists of the members of the Fiscal Court, which includes the Leslie County Judge/Executive and the four magistrates and has perpetual existence. Since the Fiscal Court has complete authority over this entity it is a component unit of the county. The financial information for the Leslie County Public Properties Corporation is blended within the Leslie County's financial statements.

**C. Leslie County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Leslie County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Leslie County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale by August 15 following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**Local Government Economic Assistance Fund** - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Local Government Economic Development Fund** - The purpose of this fund is to account for projects funded by Local Government Economic Development funds. The primary sources of revenue are grants received from the Department for Local Government.

**Flood Relief Fund** - The purpose of this fund is to account for flood repairs funded by the Federal Emergency Management Agency.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

Debt Service Fund- The purpose of this fund is to account for the activities of the Leslie County Public Properties Corporation, a blended component unit of the county. This fund also accounts for occupational tax receipts of the government.

Public Properties Corporation Fund - Detention Facility Project Fund - The purpose of this fund is to account for the construction and related debt service requirements of the new detention center.

The primary government also has the following non-major funds: Jail Fund, Senior Citizens Fund, E911 Fund and the USDA Rural Development Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Local Government Economic Development Fund, Flood Relief Fund, Senior Citizens Fund, E911 Fund and USDA Rural Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Debt Service Fund and the Detention Facility Project Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Fiduciary Fund**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments and cannot be used to support the government's own programs. When these assets are held under the terms of a formal trust agreement, pension trust funds, investment trust funds, private-purpose trust funds, and agency funds are used.

The primary government reports the following fiduciary fund as an agency fund:

Health Reimbursement Account – To account for county contributions to individual health accounts maintained for each employee

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments (Continued)**

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, other equipment, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land, construction in progress and certain land improvements are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 50,000	10-20
Land	All	
Buildings	All	25-40
Other Equipment	\$ 5,000	5-20
Vehicles and Equipment	\$ 5,000	5-10
Infrastructure	\$ 50,000	5-50

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Leslie County Detention Facility Project Fund and the Health Reimbursement Account are not budgeted by the county treasurer. The Department for Local Government does not require the fiscal court to report or budget these funds.

**J. Related Organizations and Joint Ventures**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, Hyden-Leslie County Water and Sewer District, Extension District, Library District, and Health District are considered related organizations of Leslie County Fiscal Court.



**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations and Joint Ventures (Continued)**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Elk Hill-Leslie Industrial Development Authority, Hyden-Leslie Industrial Development Authority, and the Clay-Leslie Industrial Authority are considered joint ventures of the Leslie County Fiscal Court.

**Note 2. Deposits**

The County maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreements.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 341,800	\$ 25,000	\$	\$ 366,800
Construction In Progress	6,849,103	92,374	(6,941,477)	
Total Capital Assets Not Being Depreciated	7,190,903	117,374	(6,941,477)	366,800
Capital Assets, Being Depreciated:				
Land Improvements	116,631			116,631
Buildings	5,701,614	6,941,477		12,643,091
Other Equipment	1,029,576	384,398		1,413,974
Vehicles and Equipment	681,129	45,676		726,805
Infrastructure	1,986,522	79,401		2,065,923
Total Capital Assets Being Depreciated	9,515,472	7,450,952		16,966,424
Less Accumulated Depreciation For:				
Land Improvements	(17,496)	(5,832)		(23,328)
Buildings	(1,267,587)	(247,147)		(1,514,734)
Other Equipment	(553,564)	(95,949)		(649,513)
Vehicles and Equipment	(287,425)	(74,760)		(362,185)
Infrastructure	(99,678)	(57,195)		(156,873)
Total Accumulated Depreciation	(2,225,750)	(480,883)		(2,706,633)
Total Capital Assets, Being Depreciated, Net	7,289,722	6,970,069		14,259,791
Governmental Activities Capital Assets, Net	\$ 14,480,625	\$ 7,087,443	\$ (6,941,477)	\$ 14,626,591

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 15,112
Protection to Persons and Property	192,335
Social Services	91,292
Recreation and Culture	18,070
Roads, Including Depreciation of General Infrastructure Assets	164,074
Total Depreciation Expense - Governmental Activities	<u>\$ 480,883</u>

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Leslie County Public Properties Corporation General Obligation Improvement Bonds Series 2005**

On December 27, 2005 the Leslie County Public Properties Corporation issued \$5,450,000 General Obligation Improvement Bonds, Series 2005 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2007. Semi-annual payments of interest at an interest rate of 4.625% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. Bonds outstanding as of June 30, 2009 were \$5,260,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 100,000	\$ 245,163
2011	105,000	240,422
2012	110,000	235,450
2013	115,000	230,247
2014	120,000	224,812
2015-2019	680,000	1,034,338
2020-2024	860,000	857,312
2025-2029	1,090,000	628,900
2030-2034	1,405,000	333,806
2035-2036	675,000	32,419
Totals	<u>\$ 5,260,000</u>	<u>\$ 4,062,869</u>

**B. Kentucky Area Development Districts (KADD) Financing Trust - Jail Construction Project**

On October 6, 2005, the Leslie County Fiscal Court entered into an agreement with KADD Financing Trust for the construction of a new detention facility. Total principal was \$495,000 and requires annual principal payments due on October 1 beginning on October 1, 2007 for a period of thirty years. Interest payments are due semi-annually at a variable interest rate of 3.400 % and 5.000% due on April 1 and October 1 beginning on April 1 2007 for a period of thirty years. Principal outstanding as of June 30, 2009 was \$465,000. Future principal and interest requirements are:

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Kentucky Area Development Districts (KADD) Financing Trust - Jail Construction Project (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 10,000	\$ 22,350
2011	10,000	21,945
2012	10,000	21,515
2013	10,000	21,065
2014	10,000	20,615
2015-2019	60,000	95,738
2020-2024	75,000	78,942
2025-2029	100,000	57,460
2030-2034	120,000	30,500
2035-2036	60,000	3,000
Totals	<u>\$ 465,000</u>	<u>\$ 373,130</u>

**C. Leslie County Public Properties Corporation General Obligation Improvement Bonds Series 2006**

On November 15, 2006 the Leslie County Public Properties Corporation issued \$1,280,000 General Obligation Improvement Bonds, Series 2006 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2008. Semi-annual payments of interest at a variable interest rate between 4.0% to 4.70% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. Bonds outstanding as of June 30, 2009 were \$1,240,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 25,000	\$ 56,070
2011	25,000	55,070
2012	25,000	54,070
2013	25,000	53,033
2014	30,000	51,850
2015-2019	160,000	239,330
2020-2024	205,000	198,852
2025-2029	255,000	145,644
2030-2034	335,000	77,369
2035-2036	155,000	7,402
Totals	<u>\$ 1,240,000</u>	<u>\$ 938,690</u>

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds:					
Improvement	\$ 6,615,000	\$	\$ 115,000	\$ 6,500,000	\$ 125,000
Financing Obligations	475,000		10,000	465,000	10,000
Governmental Activities					
Long-term Liabilities	<u>\$ 7,090,000</u>	<u>\$ 0</u>	<u>\$ 125,000</u>	<u>\$ 6,965,000</u>	<u>\$ 135,000</u>

**Note 5. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

The county's contribution for fiscal years ended June 30, 2007 and 2008 was \$233,207 and \$331,686, respectively. The county's contribution for fiscal year ended June 30, 2009 was \$295,859.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who began participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, which a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 6. Insurance**

For the fiscal year ended June 30, 2009, Leslie County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 7. Prior Period Adjustments**

Beginning net assets of the governmental activities was increased by \$526,706 for prior year balances due to prior year ending cash balances were decreased by \$390 for the General Fund due to outstanding checks not previously reported. The LGEA Fund was decreased by \$359 due to prior year outstanding checks not previously reported and \$1 for rounding errors. Cash balances for the Detention Facility Project Fund were increased by \$527,455 due to account balances not previously reported and increased \$1 due to rounding errors. Also, beginning net assets was increased by \$2,475,788 for assets not previously reported.

NET ASSETS (Beginning):	\$	8,952,287
NET ADJUSTMENTS:		
Beginning Balances		526,706
Capital Assets		<u>2,475,788</u>
RESTATED NET ASSETS	\$	<u><u>11,954,781</u></u>

**Note 8. Interfund Receivable and Payable**

The fiscal court used restricted money in the amount of \$92,710 from the LGEA Fund. The General Fund owes this amount back to the LGEA Fund.

**Note 9. Health Reimbursement Account**

All Leslie County employees who meet the requirements of the Personnel Policy for eligibility for health insurance as provided by the fiscal court are allotted \$2,000 per year in a health reimbursement account to help offset higher health insurance deductibles, co-pays, and other expenses. This account was opened June 30, 2009 in order for coverage to begin with the 2009-2010 fiscal year starting on July 1, 2009.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 10. Deferred Compensation**

The Leslie County Fiscal Court participated in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

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**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**



**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 783,200	\$ 783,200	\$ 817,416	\$ 34,216
In Lieu Tax Payments	63,430	63,430	109,627	46,197
Excess Fees	6,000	98,000	101,765	3,765
License and Permits	77,413	77,413	102,345	24,932
Intergovernmental Revenue	143,950	156,735	181,615	24,880
Charges for Services	10,000	10,000	7,001	(2,999)
Miscellaneous	41,200	77,678	83,949	6,271
Interest	2,000	2,000	2,843	843
Total Revenues	1,127,193	1,268,456	1,406,561	138,105
<b>EXPENDITURES</b>				
General Government	690,351	718,151	631,759	86,392
Protection to Persons and Property	3,714	6,464	6,449	15
Recreation and Culture	16,000	21,000	10,248	10,752
Administration	717,128	822,841	479,531	343,310
Total Expenditures	1,427,193	1,568,456	1,127,987	440,469
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(300,000)	(300,000)	278,574	578,574
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	150,000	150,000	159,186	9,186
Transfers To Other Funds	(50,000)	(50,000)	(195,186)	(145,186)
Total Other Financing Sources (Uses)	100,000	100,000	(36,000)	(136,000)
Net Changes in Fund Balance	(200,000)	(200,000)	242,574	442,574
Fund Balance - Beginning (Restated)	200,000	200,000	581,770	381,770
Fund Balance - Ending	\$ 0	\$ 0	\$ 824,344	\$ 824,344

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>ROAD FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 104,130	\$ 181,979	\$ 181,979	\$
Intergovernmental Revenue	1,241,910	1,245,335	1,225,855	(19,480)
Miscellaneous	2,000	2,000	2,912	912
Interest	2,000	2,000	3,304	1,304
Total Revenues	<u>1,350,040</u>	<u>1,431,314</u>	<u>1,414,050</u>	<u>(17,264)</u>
<b>EXPENDITURES</b>				
Roads	1,048,110	1,164,369	819,024	345,345
Administration	<u>351,930</u>	<u>397,760</u>	<u>264,552</u>	<u>133,208</u>
Total Expenditures	<u>1,400,040</u>	<u>1,562,129</u>	<u>1,083,576</u>	<u>478,553</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(130,815)</u>	<u>330,474</u>	<u>461,289</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer From Other Funds			398,534	398,534
Transfers To Other Funds	<u>(150,000)</u>	<u>(150,000)</u>	<u>(8)</u>	<u>149,992</u>
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>398,526</u>	<u>548,526</u>
Net Changes in Fund Balance	(200,000)	(280,815)	729,000	1,009,815
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>189,396</u>	<u>(10,604)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (80,815)</u>	<u>\$ 918,396</u>	<u>\$ 999,211</u>

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,788,416	\$ 1,788,416	\$ 2,030,781	\$ 242,365
Miscellaneous	1,000	1,392	461	(931)
Interest	2,000	2,000	1,598	(402)
Total Revenues	1,791,416	1,791,808	2,032,840	241,032
<b>EXPENDITURES</b>				
General Government	20,977	21,937	18,937	3,000
Protection to Persons and Property	224,567	228,739	139,533	89,206
General Health and Sanitation	77,250	99,946	97,942	2,004
Social Services	595,086	634,902	562,714	72,188
Recreation and Culture	176,460	202,960	139,709	63,251
Roads	261,180	263,899	224,208	39,691
Administration	985,896	980,633	599,037	381,596
Total Expenditures	2,341,416	2,433,016	1,782,080	650,936
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(550,000)	(641,208)	250,760	891,968
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	400,000	400,000	766,075	366,075
Transfers To Other Funds	(50,000)	(50,000)	(611,859)	(561,859)
Total Other Financing Sources (Uses)	350,000	350,000	154,216	(195,784)
Net Changes in Fund Balance	(200,000)	(291,208)	404,976	696,184
Fund Balance - Beginning (Restated)	200,000	200,000	150,454	(49,546)
Fund Balance - Ending	\$ 0	\$ (91,208)	\$ 555,430	\$ 646,638

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 4,489,809	\$ 5,638,800	\$ 5,273,799	\$ (365,001)
Interest			5,589	5,589
Total Revenues	<u>4,489,809</u>	<u>5,638,800</u>	<u>5,279,388</u>	<u>(359,412)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property		171,166	171,166	
General Health and Sanitation	321,071	416,945	281,996	134,949
Social Services	25,000	25,000		25,000
Capital Projects	3,200,706	3,945,806	1,048,460	2,897,346
Administration	312,613	325,191		325,191
Total Expenditures	<u>3,859,390</u>	<u>4,884,108</u>	<u>1,501,622</u>	<u>3,382,486</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>630,419</u>	<u>754,692</u>	<u>3,777,766</u>	<u>3,023,074</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			8	8
Transfers To Other Funds	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,823,275)</u>	<u>(123,275)</u>
Total Other Financing Sources (Uses)	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,823,267)</u>	<u>(123,267)</u>
Net Changes in Fund Balance	(1,069,581)	(945,308)	1,954,499	2,899,807
Fund Balance - Beginning	<u>1,069,581</u>	<u>1,069,581</u>	<u>1,057,428</u>	<u>(12,153)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 124,273</u>	<u>\$ 3,011,927</u>	<u>\$ 2,887,654</u>

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>FLOOD RELIEF FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Interest	\$	\$	\$ 7,850	\$ 7,850
Total Revenues			7,850	7,850
<b>EXPENDITURES</b>				
Administration	1,518,617	1,470,868		1,470,868
Total Expenditures	1,518,617	1,470,868		1,470,868
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,518,617)	(1,470,868)	7,850	1,478,718
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds				
Transfers To Other Funds			(29,475)	(29,475)
Total Other Financing Sources (Uses)			(29,475)	(29,475)
Net Changes in Fund Balance	(1,518,617)	(1,470,868)	(21,625)	1,449,243
Fund Balance - Beginning	1,518,617	1,518,617	1,635,215	116,598
Fund Balance - Ending	\$ 0	\$ 47,749	\$ 1,613,590	\$ 1,565,841

**LESLIE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The Department for Local Government does not require the county to budget the Detention Facility Project Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by June 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation**

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Modified Cash Basis differs from the budgetary comparison schedules of the General Fund and LGFA Fund which have been modified to reflect the following changes:

	<u><b>Expenditures</b></u>	<u><b>Fund Balances</b></u>
<b>Reconciliation of the General Fund</b>		
Budgetary Comparison Schedule	\$ 1,127,987	\$ 824,344
To record interfund payable	<u>92,710</u>	<u>(92,710)</u>
Statement of Revenues, Expenditures and Changes in Fund Balance-Modified Cash Basis	<u><u>1,220,697</u></u>	<u><u>731,634</u></u>
 <b>Reconciliation of the LGFA Fund</b>		
Budgetary Comparison Schedule	\$ 1,782,080	\$ 555,430
To record interfund receivable	<u>(92,710)</u>	<u>92,710</u>
Statement of Revenues, Expenditures and Changes in Fund Balance-Modified Cash Basis	<u><u>1,689,370</u></u>	<u><u>648,140</u></u>



**LESLIE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**

**Other Supplementary Information**

**June 30, 2009**



**LESLIE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>Jail Fund</b>	<b>Senior Citizens Fund</b>	<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 813,664	\$ 51,513	\$ 333,658	\$ 1,198,835
Total Assets	<u>813,664</u>	<u>51,513</u>	<u>333,658</u>	<u>1,198,835</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	28,344	4,147	678	33,169
Unreserved:				
Special Revenue Funds	<u>785,320</u>	<u>47,366</u>	<u>332,980</u>	<u>1,165,666</u>
Total Fund Balances	<u>\$ 813,664</u>	<u>\$ 51,513</u>	<u>\$ 333,658</u>	<u>\$ 1,198,835</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**



**LESLIE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>Jail Fund</b>	<b>Senior Citizens Fund</b>	<b>E911 Fund</b>	<b>USDA Rural Development Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$	\$	\$ 140,657	\$	\$ 140,657
Intergovernmental	91,505	113,750		18,676	223,931
Interest	1,131		1,424		2,555
Total Revenues	92,636	113,750	142,081	18,676	367,143
<b>EXPENDITURES</b>					
General Government				18,676	18,676
Protection to Persons and Property	422,839		205,114		627,953
Social Services		107,539			107,539
Administration	44,320		51,699		96,019
Total Expenditures	467,159	107,539	256,813	18,676	850,187
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(374,523)	6,211	(114,732)		(483,044)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers From Other Funds	1,176,000		300,000		1,476,000
Total Other Financing Sources (Uses)	1,176,000		300,000		1,476,000
Net Changes in Fund Balances	801,477	6,211	185,268		992,956
Fund Balances - Beginning	12,187	45,302	148,390		205,879
Fund Balances - Ending	\$ 813,664	\$ 51,513	\$ 333,658	\$ 0	\$ 1,198,835

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jimmy Sizemore, Leslie County Judge/Executive  
Members of the Leslie County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated August 16, 2010. Leslie County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Leslie County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leslie County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leslie County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified no matters considered to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Leslie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

August 16, 2010

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**LESLIE COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**

**Appendix A**



CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

LESLIE COUNTY FISCAL COURT

For The Year Ended June 30, 2009

The Leslie County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Jimmy Sizemore  
Leslie County Judge/Executive

  
Mack Muncy  
Leslie County Treasurer

